

THE MONUMENT

BOARD OF DIRECTORS MEETING MINUTES APRIL 13, 2021

Chair of the Board, Brad Estes, called the meeting to order at 8:15 a.m. with the following Board members present: Gary Brown, Tim Johnson, and Charity Doyle, and via teleconference: Jason Lambert. Staff present included: Executive Director, Craig Baltzer; Deputy Director/Finance, Tracy Heitsch; Deputy Director/Events, Jayne Kraemer; Accounting Clerk, Teresa Dringman; Director of Operations, Paul Sterling and Stage/Production Manager, David Owen, and via teleconference: Director of Corporate Sales/Marketing, Priscilla Dominguez. Others present via teleconference include: City Council, Greg Strommen; Assistant City Attorney, Jess Rogers; and Rapid City Journal, Kent Bush.

After review of the meeting agenda, motion was made by Brown and seconded Doyle **to approve the agenda as presented**. Upon vote being taken, the motion carried unanimously.

General Public Comment

None

Minutes

Motion was made by Brown and seconded by Johnson **to approve the minutes of the March 23, 2021, meeting as presented**. Upon vote being taken, the motion carried unanimously.

Bill List

The 2021 Bill List for April 13, 2021, was audited.

A & B BUSINESS SOLUTIONS INC	1,441.99
A&B WELDING SUPPLY CO INC	6,163.31
ACE HARDWARE-WEST	4.48
ALSCO INC	481.54
AMAZON CAPITAL SERVICES	775.42
BATTERIES PLUS BULBS	186.90
BORDER STATES ELECTRIC SUPPLY	153.54
CARBONHOUSE	600.00
CASH-WA DISTRIBUTING COMPANY	12256.25
CBH COOPERATIVE	393.90
CITY OF RAPID CITY	7571.42
COCA-COLA OF THE BLACK HILLS	15282.70
CONVERGINT TECHNOLOGIES LLC	510.21
CRESCENT ELECTRIC SUPPLY CO	164.57
DAKOTA BATTERY/ELECTRIC	198.55
DENNIS SUPPLY	681.35
DIMOCK DAIRY INC	432.52
DLT SOLUTIONS	765.61
EASTMAN SOUND & MUSIC	55.00
ECOLAB INSTITUTIONAL INC	4725.28
FASTENAL COMPANY	18.58
FISHER BEVERAGE COMPANY INC	8456.85
GOLDEN WEST TECHNOLOGIES INC	160.00
JANTECH LLC	295.00
JOHNSON BROTHERS OF SD	2405.21
KNECHT HOME CENTER	200.39
KONE	4925.94
LIGHTING MAINTENANCE CO	146.44
MATHESON TRI-GAS INC	100.99
MCDONALD SUPPLY	2950.30
MENARDS	344.30
MOUNTAIN STATES SECURITY INC	185.88
NORTH CENTRAL SUPPLY INC	15.00

NORTHWEST PIPE FITTINGS INC	622.32
O'REILLY AUTO PARTS	46.26
OVERHEAD DOOR OF RAPID CITY	113.78
PIZZA RANCH RAPID CITY	454.28
PURCHASE POWER/PITNEY BOWES	420.99
QUALITY BRANDS OF THE BLACK HILLS	5191.05
RAKA	555.02
REPUBLIC NATIONAL DISTRIBUTING COMPANY	1724.70
RUNNINGS SUPPLY INC	199.96
SERVALL UNIFORM/LINEN CO INC	116.66
SIMPSON'S PRINTING	732.00
SOUTHERN GLAZER'S OF SD	1007.51
STAN HOUSTON EQUIP CO INC	229.99
SUMMIT COMPANIES	1684.98
SYSCO MONTANA INC	3920.05
SYVERSON TILE AND STONE	102.64
US FOODS	10377.10
US FOODS INC	4012.45
WATERTREE INC	69.00
WESTERN STATIONERS	112.87
WHISLER BEARING COMPANY	32.89
WICKED PETES GOURMET SNACKS	623.52
	Total 105,399.44

Motion was made by Doyle and seconded by Johnson and carried **to authorize the Finance Officer to issue warrants or treasurers checks, drawn on proper funds, in payment thereof.**

Event Update

Kraemer reported after 414 days without an arena concert, we had the first concert in the Barnett Arena since the start of the COVID pandemic, Justin Moore and Tracy Lawrence. It was a nice concert to review and get back into practice. People were happy to get out and feel a sense of normal. Ticket numbers were better than Casper, and concessions sales were good. Doyle asked what that meant. Baltzer stated concessions sales were measured per capita, and we broke records for that. The concert was an awesome morale booster for both the staff and the crowd. Heitsch stated we had a diverse crowd with a nice mix of an older and younger demographic. Pepper Entertainment, the promoter out of Sioux Falls, walked away extremely happy. Baltzer reported that national promoters, Live Nation and AEG, are still quite upside down and haven't hired back people yet. More local/regional promoters will have an edge over national ones. Brown asked if we still struggled with labor. Kraemer said it was a good thing that the concert was the only event that night. For the remainder of this week, Kraemer stated, we have the hockey team back for 3 games, a Monument Health meeting, and the LNI annual board meeting will be held. RCAS senior prom will be at the Barnett Arena on Saturday. Estes asked if the RCAS prom was only for seniors. Kraemer stated that RCAS said it was open to seniors and their dates. Hockey 'n Hops will also be on Saturday night in Rushmore H with 13 booths from different breweries in conjunction with the Rush hockey game. The Post 22 fundraiser will also be on Saturday in LaCroix. Next week there will be some testing with schools, a city healthcare meeting, the Douglas prom, the Black Hills Dance Festival, Paradise Spa Sale, and the Lakota All-Star Basketball Games.

Paul Sterling entered the meeting at 8:25 a.m.

Executive Director's Update

Baltzer stated he will reserve most of his time for the budget presentation; however, we are slowly getting events on our calendar. We will hopefully build on that more as we move forward. The national touring concert business is just barely getting started so we will likely see slow growth for next year or two. Regarding the new building, there are no big updates. Construction is moving along, and things are going really well. We are working on nitty gritty items. We have our weekly new building tour tomorrow at 1:30 p.m. with staff to take a look at the building. Board members are invited. Brown advised he would like to attend that tour. The lower seating stadia is in place. They are building underneath for locker rooms, and tile work is going in. The building is almost completely enclosed. There is also a tour on Thursday at 4:00 p.m. that is meant for stakeholders. We have room to add. If you plan to attending, be here at 3:45 p.m. on Thursday.

Miscellaneous

- 1) **Capital Update**—Heitsch stated our capital projects for 2021 are derived from needs from FFE that are unable to be satisfied by the new building FFE budget. Section 1 includes FFE items pulled to operational capital. Section 2 has non FFE items. Section 3 capital projects if cash flow allows. The total column has original estimates and then the final price after negotiations, better prices, etc. Kudos to our team that works very diligently to secure the best pricing possible. Heitsch explained each of the line items in detail, including their current status. Board discussion followed. No action taken. See attached.
- 2) **Surplus Declaration**—Heitsch introduced the topic—Sterling is here to talk surplus. These are items that have been in the building which are not used or have no value and therefore, need to be declared surplus by the Board of Directors and then sold at the annual City Surplus Auction. Items included lawn tractors, walk behind machine brush, carpet extractor, out of code volleyball standards, old stage lighting, banquet chairs, green chairs, and old rolls of carpet. After review of the surplus declaration, motion was made by Brown and seconded Doyle **to approve the surplus declaration listing as presented.** Upon vote being taken, the motion carried unanimously.
- 3) **Proposed Budget 2022 Presentation**—Heitsch reviewed highlights of the proposed budget. The theme is aggressive but relative. After today's presentation, the board will have two weeks to absorb the information and ask questions. At their regular meeting on April 27th, the board can make any changes, additions, deletions, etc. Also at that board meeting, a motion to pass the proposed or amended 2022 budget will be on the agenda. Heitsch will be available to meet and review any and all details if board members are interested.

Last year was not stellar due to COVID. We had 857,000 page views in 2020 but had 1.8 million in the year before. The number of events in 2020 were 352 compared to 654 the previous year. We were down to 674 event days compared to over 1,200 in 2019. That is down about 50%. We were thankful for the first quarter of 2020. In 2019 we had an increase in social media subscribers. In 2020 we had 41 full-time employees and held 6 positions open during the pandemic in an effort to save as much money as possible. Part-time peak employees in 2020 were 301. For 2022, with the number of events we're expecting to host with the new arena in full operation, we're expecting to need and are budgeting for employing approximately 800 PT employees at our peak.

Budget goals for 2022 include opening of The Summit and looking further ahead. What does 2022 and 2023 and beyond look like for our facility? Regarding staffing, we had hoped to bring on a few additional employees, as approved in our 2021 budget, in preparation for the new building but we have not hired those positions as of now, due to the pandemic. We are going to be hiring those positions over the next several months. The opening of the new Summit Arena also opens up new opportunities in the Barnett Fieldhouse and Rushmore Hall. There may be new opportunities for the usage of that flat floor space for the needs of community. Baltzer said our most booked venue is Rushmore Hall. The Barnett Fieldhouse will take on some of those events. There is some flexibility with the Barnett Fieldhouse with telescopic seating of over 2,000. That's a good number. If we are going to do a small concert with general admission, we might be able to get close to 3,000. Baltzer's goal is to get that building to pay for itself (utilities, maintenance costs, etc). That would be a really good win. Estes asked if Barnett Fieldhouse was the official name for Barnett Arena. Baltzer said marketing has been pushing that name but it was never voted on. This was the first the board had heard it. Doyle says it gives it a repurposing. Heitsch said there is no second level and probably \$1 million of work to be done to bring the flat floor space to ADA code and true multi purpose usage. Baltzer said we are working with wayfinding consultants to look at our entire property, inside and out. Everything is named an arena. We need to get away from that title. Our naming rights partner wants to keep the name format for historical purposes.

Heitsch said we are planning on a full schedule of events and opportunities for the entire facility with the proposed budget 2022. If the events don't happen, bodies don't show, sales don't happen, then we won't be spending the budgeted expenses either.

The organizational chart was presented. We currently have 9 unfilled full-time positions, some authorized in 2020 and some in 2021. We want to fill them in the next few months, prior to the opening of the Summit Arena. We have 3 new positions proposed in the 2022 budget. Those three positions include an additional stage tech, an event coordinator, and an HR coordinator.

Looking at needs of part-time staff, as the board is aware, we haven't been able to find enough people to fill our part time positions. Baltzer said we need to start filling some of the part-time

positions now. Kraemer would like them filled in late summer to get them trained, oriented to the new building and our new policies and protocols.

2022 is a challenging budget to put together! COVID-19 changed everything. We are still learning every single day. Some of the big touring companies are working to startup again. Most have been shuttered since last March. We set the budget up as if we are ready to roll. If events don't come through, our expenses won't be realized either. There have been changes over the years. You now buy annual subscriptions for things like our POS system, event software, and the new IPTV system. In next year's budget we will see our subscriptions line item now approaching \$250,000 a year.

Our budgeted revenues are big numbers! Actual in 2019 was \$9,759,832 with 2017 being the best year. The comparison to 2020 with COVID, was \$7,264,902 compared to budget for 2021 and 2022. The big increase can be summarized in food and beverage, and reimbursements from events for stage hands, event staff, ushers, etc. Baltzer said when going through the budget with Heitsch, they met multiple times with each department, and they were all very much involved in their budgets. With the theme being aggressive but relative, the relative part is what we want the board to understand, especially with COVID. We want to remind you the budget is relative. If touring concerts don't come back to the level they were pre COVID, we are hiring less staff so expenses go down as well. Probably the most aggressive department is food and beverage. If some events do not happen, the expenses are directly related. Kraemer stated the 2020 actual was because of the Stock Show and conventions gained in the fall because cities they were booked in were shut down. We started up hockey at the end as well. For us to be doing 60 to 70 percent in 2020 was fantastic compared to most venues who lost 95% of their business and revenue. Because of the nature of the building, we are focused on many different things including conventions and tournaments. We did a lot of wrestling tournaments. We are very lucky to be located in this part of the country and with the diversity of our building, we could really spread things out. Kraemer said we are still having events cancel through May. May is probably the last month that we have had something canceled for 2021. Doyle stated May seems to be the public's timeline too as to when they are deciding to go back to normal. Baltzer stated it might be when we have 85% vaccines by certain time.

Heitsch said concessions typically account for 23 to 31% of our budgeted revenue. The 2022 proposed budget has food & beverage at 37% of total revenue. In the new building we will have 70 points of sale for food & beverage. The Barnett Arena has 26 at its max and the Ice Arena has 34. Baltzer stated we have put a focus on the last 5 years for concessions to increase quality. The new point of sale system has helped speed things up. The design provides a huge opportunity. The philosophy is continually evolving. The challenge was the Barnett and Ice Arenas were not built with the sale of food and beverages in mind.

Sponsorships will continue to build. Non-operating revenue is BBB, which is built off actuals in 2019. This continues to trend positively. The overall proposed revenue budget for 2022 is \$14.865 million. The biggest increase is in concessions. We have worked and reworked the numbers. We have included per cap analysis, number of expected events, and pricing adjustments. Baltzer stated the sponsorship line will increase revenue. The concession revenue is the addition. We couldn't afford the building if we didn't have the opportunity to truly drive increases in food & beverage volume as well as sponsorship. We are doing well tracking where we need to be.

Heitsch reviewed the expense history which in 2019 was \$10.37 million and 2020 was \$7.5 million. Projections for 2021 are at \$11.8 million with 2022 at \$14.5 million. The main impact to the expense budget for 2022 is the impact of temporary salaries and wages. With our struggle to hire part time staff, coupled with the local competition as every local business is struggling to hire part time staff, we feel we have to make wage adjustments. Our average wage within the department for event, food and beverage, and maintenance staff is anywhere from \$10.15 to \$10.78. The proposed 2022 budget is built with an average wage from \$13 to \$14 an hour. This trickles down to the related expenses. This is also the first year of the full impact of additional full-time positions year round. Again, if events don't happen, we won't hire the part time staff, and thus our expenses will decrease from budget. Baltzer stated we have to be more competitive. A couple of dollars more an hour might not help, but we need to try. He personally believes we are within a couple of years of minimum wage changing. That will be a major financial hit. Baltzer thinks it is the right thing to do and we must remain competitive which will give us the best chance to get the adequate staffing and not run all of our team ragged. Heitsch stated we are looking to increase to 190,000 part-time hours in a year accompanied with increase in pay. This will be a substantial impact considering for the last several years (outside of COVID) we've been averaging closer to 120,000 hours per year. There will be small increases in uniforms as we are looking at uniform rental verses purchasing uniforms. It will cost more but worth it

for food and beverage and operations. Repair and maintenance will be large numbers as we need to maintain the existing 40+ year old facility.

Regarding computers, we will be putting into the City computer fund. We are guilty of not putting money in computer systems and now have 6 to 10-year-old computers. The city has an amortization schedule, and we need to get that fund going. We will be buying new computers in 2022.

Looking at the numbers in different categories. The \$1.9 million in administration includes \$400,000 in debt for ice arena. Fortunately, interdepartmental charges are frozen for 2022. The rest of the differences are going to be primarily what we talked about—part-time and full-time wages, uniforms, computers, subscriptions. PILT for 2022 is \$161,736 versus \$80,000 this year. VRC will be \$1.125 million.

For capital outlay for 2022, Heitsch presented the updated Prioritized Needs List. This list has been in existence for several years and is an ever changing document that lists all the identified equipment needs/renovations/modifications needed for the existing facility. Items are prioritized and the highest priority items are generally moved to the next year's capital budget. The listing was reviewed in detail. Discussions followed. No action taken as this is part of considerations for the 2022 proposed budget.

Heitsch closed by reminding the board that the facility exists for three purposes: (1) – to grow the facility's bottom line financials, (2) contribute to the outstanding quality of life we have in Rapid City by making the facility available for non profit events at a discounted rate (30% off commercial rates) and (3) to make major contributions to the overall economic impact of our community by bringing people to town for events and putting heads in beds, restaurants, bars, retail locations, tourist attractions, etc.

Baltzer said he wanted the board to be able to see this entire presentation. Heitsch will be happy to sit down and go over details. In 2 weeks at the next board meeting there will be a vote on the budget. Then, we will send the budget to the mayor. It will be approved by the end of August with the city.

There being no further business, motion was made by Doyle and seconded by Johnson **to adjourn the meeting**. Upon vote being taken, the motion carried unanimously. The meeting adjourned at 9:39 a.m.

I certify a true and accurate accounting of the minutes of the meeting.

Teresa Dringman

Teresa Dringman, Accounting Clerk

4/27/2021

Date